

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

HILLSDALE HOUSING COMMISSION

Financial Statements

June 30, 2007

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Opinion	i
Management Discussion and Analysis	ii
 <u>FINANCIAL STATEMENTS</u>	
Statement of Net Assets	2
Statement of Revenue, Expenses and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5
 <u>SUPPLEMENTAL DATA</u>	
Combining Balance Sheet	10
Combining Statement of Income and Expenses	11
Status of Prior Audit Findings	12
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	13
Report on Compliance Applicable to Non Major HUD Program	15
Schedule of Findings and Questioned Cost	16

***John C. DiPiero, P.C.***

Certified Public Accountant

P. O. Box 378  
Hemlock, Michigan 48626  
Tel / Fax (989) 642-2092

Board of Commissioners  
Hillsdale Commission  
45 N. West Street  
Hillsdale, Michigan 49242

### **Independent Auditor's Report**

I have audited the financial statements of the Hillsdale Housing Commission Business Type Activities as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hillsdale Housing Commission's business activities as of June 30, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 25, 2007, on my consideration of the Hillsdale Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

February 29, 2008

**HILLSDALE HOUSING COMMISSION**  
**Management Discussion and Analysis**  
**June 30, 2007**

This discussion and analysis of the Hillsdale Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial statements.

This annual report includes the Management Discussion and Analysis report, the Basic Financial Statements and the Notes to Financial Statements. This report also contains the Financial Data Schedule (FDS) as referenced in the section Supplemental Information. The Commission's financial statements are presented as fund level financial statements because the Commission only has proprietary funds.

**Entity-Wide Statements**

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

**Fund Statements**

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary Fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

**Entity-Wide Financial Highlights**

The Commission received the following Federal Assistance:

	<u>Year 2007</u>	<u>Year 2006</u>
Operating Subsidies	\$ 88,840	\$ 82,361
Capital Projects Funds	62,305	64,542

The Commission's cash position increased during the year, our investments increased; our fixed assets after depreciation remained unchanged, and Net Assets decreased. The following represents the aforementioned positions:

	<u>Year 2007</u>	<u>Year 2006</u>	<u>Difference</u>
Cash	\$ 59,400	\$ 32,599	\$ 26,801
Investments	25,038	25,000	38
Fixed Assets, Before Depreciation	2,889,763	2,889,442	321
Total Liabilities	41,598	35,354	6,244
Net Assets	1,076,346	1,158,438	(82,092)

Management Discussion and Analysis- continued

	<u>Year 2007</u>	<u>Year 2006</u>	<u>Difference</u>
Revenues:			
Tenant Revenues	\$ 154,702	\$ 149,081	\$ 5,621
HUD Grants	151,145	146,903	4,242
Expenses:			
Administrative	91,347	86,858	4,489
Utilities	87,596	80,194	7,402
Maintenance & Operations	73,851	73,487	364
General Expenses	20,840	32,926	(12,086)
Depreciation Expenses	109,681	113,346	(3,665)

Significant changes in the above are as follows:

Our cash position increased as a result of excess revenues over expenses before depreciation of \$ 27,589; net assets decreased by the amount of the total loss of \$ 82,092.

HUD grants are a result of requisitioning eligible funds. HUD grants received are a result of calculations under the Performance Funding System, and Capital grants authorized and obligated during the year.

Depreciation expense is the result of a systematic write off of capital assets; we have not increased our capital assets in the past couple of years, therefore, the annual amount of depreciation expense will continue to drop until a substantial amount has been spent and capitalized.

Administrative cost increased as a result of hiring a part time secretary to assist with office functions. Utilities increase approximately 8% which reflects an expected rise in rates. General expenses decreased as a result of reducing security services by \$ 14,325.

The Commission provided the following housing for low to moderately low income families:

	<u>Year 2007</u>	<u>Year 2006</u>
Low Rent Public Housing	60	60

The Commission's housing stock did not change during the fiscal year.

## Management Discussion and Analysis- continued

### General Fund Budgetary Highlights

The Commission approved an operating budget on June 1, 2006 for the fiscal year ending June 30, 2007; we had no occasion to amend the budget.

There were no significant differences between the final budget and actual results; the final budget called for a net profit before depreciation of \$ 24,421, the actual results from operations resulted in a net profit of \$ 31,376 before depreciation.

### Entity Wide Capital Assets

At the close of the fiscal year, the Commission had \$ 2,889,442 in capital assets with accumulated depreciation of \$ 1,762,526. The major classes of assets are as follows:

Land	\$ 141,750
Building	2,377,034
Furniture and Equipment	138,747
Leasehold Improvements	<u>232,232</u>
	\$ 2,889,763
Accumulated Depreciation	<u>(1,870,816)</u>
	\$ <u>1,018,947</u>

The Commission has put the 2006 and 2007 Capital Fund Program grant into operations; we intend on using the 2008 for operations as well.

### Commission's Position

The Commission is concerned with the increase in Federal unfunded mandates such as project based accounting, asset management, and uncertainty in future funding with the new subsidy calculations and cuts in other federal programs. We hope current funding levels for operations and capital improvements will remain consistent with past years; therefore, the Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income families.

Questions or comments to the above may be addressed to:

Alton D. Cousino III, Executive Director,  
Hillsdale Housing Commission  
45 N. West Street  
Hillsdale, Michigan 49242

HILLSDALE HOUSING COMMISSION  
Statement of Net Assets  
June 30, 2007

**ASSETS**

**C-3095**

CURRENT ASSETS

Cash	\$	59,400	
Accounts Receivable-Miscellaneous		81	
Accrued Interest Receivable		294	
Investments		25,038	
Prepaid Expenses		<u>14,184</u>	
Total Current Assets	\$		98,997

NON CURRENT ASSETS

Land	\$	141,750	
Buildings		2,377,034	
Furniture, Equipment- Dwellings		35,755	
Furniture, Equipment- Administrative		102,992	
Leasehold Improvements		232,232	
Accumulated Depreciation		<u>(1,870,816)</u>	
Total Non Current Assets			<u>1,018,947</u>

TOTAL ASSETS \$ 1,117,944

HILLSDALE HOUSING COMMISSION  
Statements of Net Assets  
June 30, 2007

**LIABILITIES**

**C-3095**

CURRENT LIABILITIES

Accounts Payable	\$	11,441	
Accrued Wages & Payroll Taxes		3,574	
Accrued Compensated Absences		7,584	
Accounts Payable-Other Governments		6,062	
Tenants Security Deposit		11,429	
Deferred Revenue		642	
Accrued Liabilities-Other		<u>13</u>	
<u>Total Current Liabilities</u>	\$		40,745

NONCURRENT LIABILITIES

Accrued Compensated Absences		<u>853</u>	
<u>Total Liabilities</u>	\$		41,598

**NET ASSETS**

Investment in Fixed Assets, net of related Debt	\$	1,018,947	
Unrestricted Net Assets		<u>57,399</u>	
<u>Total Net Assets</u>	\$		<u>1,076,346</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$		<u>1,117,944</u>

The Accompanying Notes are an Integral part of the Financial Statements

HILLSDALE HOUSING COMMISSION  
Statement of Revenue, Expenses, and Changes in Net Assets  
For the year ended June 30, 2007

OPERATING REVENUE

Tenant Rental Revenue	\$ 152,931	
Tenant Revenue-Other	1,771	
HUD Grants	151,145	
Interest Income	4,231	
Other Income	<u>7,126</u>	
<u>Total Operating Revenue</u>		\$ 317,204

OPERATING EXPENSES

Administrative	\$ 91,347	
Tenant Services	625	
Utility Expenses	87,596	
Ordinary Maintenance	73,851	
General Expenses	<u>20,840</u>	
<u>Total Operating Expenses</u>		<u>274,259</u>
<u>Operating Income (Loss)</u>		\$ 42,945

NONOPERATING REVENUE (EXPENSES)

Gain (Loss) on Sale of Assets	\$ (421)	
Extra Ordinary Maintenance	(14,935)	
Depreciation Expenses	<u>(109,681)</u>	<u>(125,037)</u>
<u>Income (Loss) before Contributions</u>		\$ (82,092)

CAPITAL CONTRIBUTIONS

		<u>0</u>
<u>Changes in Net Assets</u>		\$ (82,092)
Total Net Assets- Beginning		<u>1,158,438</u>
Total Net Assets- Ending		\$ <u>1,076,346</u>

The Accompanying Notes are an Integral part of the Financial Statements

HILLSDALE HOUSING COMMISSION  
Statement of Cash Flows  
For the Year Ended June 30, 2007

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 154,702
Payments to Suppliers	(210,785)
Payments to Employees	(78,876)
HUD Grants	151,145
Other Receipts (Payments)	<u>10,936</u>
Net Cash Provided (Used) by Operating Activities	\$ 27,122

CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$ <u>(321)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 26,801
Balance- Beginning of Year	<u>32,599</u>
Balance- End of Year	\$ <u>59,400</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET  
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (82,092)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	109,681
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	(97)
Investments	(38)
Prepaid Expenses	(6,576)
Changes in Liabilities Increase (Decrease):	
Accounts Payable	7,814
Accrued Compensated Absences	30
Accrued Wages & Payroll Taxes	13
Accounts Payable- Other Governments	34
Security Deposits	(196)
Deferred Revenue	534
Accrued Liabilities-Other	<u>(1,985)</u>
Net Cash Provided by Operating Activities	\$ <u>27,122</u>

The Accompanying Notes are an Integral part of the Financial Statements

HILLSDALE HOUSING COMMISSION  
Notes to Financial Statements  
June 30, 2007

NOTE 1: Summary of Significant Accounting Policies

**Reporting Entity-**

Hillsdale Housing Commission, Hillsdale, Michigan, (Commission) was created by ordinance of the city of Hillsdale. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 103-001	Low rent program	60 units
------------	------------------	----------

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, no component units exist.

These criteria were considered in determining the reporting entity.

**Basis of Presentation-**

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

## Notes to Financial Statements- continued

### Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

### Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, unless they conflict with Governmental Accounting Standards Board (GASB) pronouncements.

### Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

### Assets, Liabilities, and Net Assets-

#### Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Notes to Financial Statements- continued

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Account	\$ <u>59,400</u>
-------------------------------	------------------

Investments:

Certificates of Deposit	\$ <u>25,038</u>
-------------------------	------------------

Notes to the Financial Statements- continued

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	<u>Categories</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Cash:					
Checking A/C's	\$ <u>59,400</u>	\$ _____	\$ _____	\$ <u>59,400</u>	\$ <u>59,400</u>
Investments:					
C/D's	\$ <u>25,038</u>	\$ _____	\$ _____	\$ <u>25,038</u>	\$ <u>25,038</u>

In addition to the above analysis, the Commission has adopted an investment policy as required by P.A. 196 of 1997; Michigan Compiled Law 129.95.

Note 3: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Land	\$ 141,750	\$	\$	\$ 141,750
Buildings	2,377,034			2,377,034
Furniture & Equipment-Dwellings	37,167		1,412	35,755
Furniture & Equipment-Admin	101,259	1,733		102,992
Leasehold Improvements	<u>232,232</u>	<u>          </u>	<u>          </u>	<u>232,232</u>
	\$ 2,889,442	\$ 1,733	\$ 1,412	\$ 2,889,763
Less Accumulated Depreciation	<u>1,762,526</u>	<u>109,681</u>	<u>1,391</u>	<u>1,870,816</u>
	\$ <u>1,126,916</u>	\$ <u>(107,948)</u>	\$ <u>21</u>	\$ <u>1,018,947</u>

Notes to Financial Statements- continued

Note 4: Retirement.

The Hillsdale Housing Commission contributes to the Municipal Employees Retirement System (MERS), a multi-employer defined benefit pension plan administered by the State of Michigan, through the City of Hillsdale. Details concerning the plan are available in the annual report of MERS. This plan covers all regular, full-time employees of the Housing Commission.

The following information for the Commission was extracted from the City of Hillsdale's annual employer report:

Unfunded Accrued Liability 12/31/06	\$ 3,618
Employer Normal Cost	7,226
Expected Employer Contribution	(9,406)
Interest	307
Unfunded Accrued Liability 7/1/08	1,745
Projected Fiscal Year Payroll	80,368

Additional statistical information may be obtained from the City's annual report.

Note 5: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 4,247,820
General Liability	1,000,000
Automobile Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders: Coverage's required by the State of Michigan	

Note 6: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

## Hillsdale Housing Commission

30-Jun-07

MI-103

	Account Description	Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #				
	<b>ASSETS:</b>			
	<b>CURRENT ASSETS:</b>			
	Cash:			
111	Cash - unrestricted	47,874		47,874
112	Cash - restricted - modernization and developmen		-	-
113	Cash - other restrictec			-
114	Cash - tenant security deposit	11,526	-	11,526
100	Total cash	59,400	-	59,400
	Accounts and notes receivables			
121	Accounts receivable - PHA project			-
122	Accounts receivable - HUD other project		-	-
124	Accounts receivable - other governmer			-
125	Accounts receivable - miscellaneou	81	-	81
126	Accounts receivable- tenants - dwelling reni	-		-
126.1	Allowance for doubtful accounts - dwelling reni	-		-
126.2	Allowance for doubtful accounts - othe	-		-
127	Notes and mortgages receivable- curren			-
128	Fraud recovery			-
128.1	Allowance for doubtful accounts - fraud			-
129	Accrued interest receivabl	294		294
120	Total receivables, net of allowances for doubtful account	375	-	375
	Current investments:			-
131	Investments - unrestrictec	25,038		25,038
132	Investments - restrictec			-
142	Prepaid expenses and other asset	14,184	-	14,184
143	Inventories	-	-	-
143.1	Allowance for obsolete inventorie	-	-	-
144	Interprogram - due from	-	-	-
146	Amounts to be providec			-
150	TOTAL CURRENT ASSETS	98,997	-	98,997
	<b>NONCURRENT ASSETS:</b>			
	Fixed assets:			
161	Land	141,750	-	141,750
162	Buildings	2,377,034	-	2,377,034
163	Furniture, equipment & machinery - dwelling	35,755	-	35,755
164	Furniture, equipment & macinery - admininstratio	102,992	-	102,992
165	Leasehold improvement:	232,232	-	232,232
166	Accumulated depreciator	(1,870,816)	-	(1,870,816)
160	Total fixed assets, net of accumulated depreciatio	1,018,947	-	1,018,947
171	Notes and mortgages receivable - non-curren			-
172	Notes and mortgages receivable-non-current-past du			-
174	Other assets			-
175	Undistributed debit:			-
176	Investment in joint venture:			-
180	TOTAL NONCURRENT ASSETS	1,018,947	-	1,018,947
190	<b>TOTAL ASSETS</b>	1,117,944	-	1,117,944

	<b>LIABILITIES AND EQUITY:</b>			
	<b>LIABILITIES:</b>			
	<b>CURRENT LIABILITIES</b>			
311	Bank overdraft			-
312	Accounts payable ≤ 90 days	11,441	-	11,441
313	Accounts payable > 90 days past due		-	-
321	Accrued wage/payroll taxes payable	3,574	-	3,574
322	Accrued compensated absence	7,584	-	7,584
324	Accrued contingency liability			-
325	Accrued interest payable			-
331	Accounts payable - HUD PHA program			-
332	Accounts Payable - PHA Project			
333	Accounts payable - other government	6,062	-	6,062
341	Tenant security deposits	11,429	-	11,429
342	Deferred revenues	642	-	642
343	Current portion of Long-Term debt - capital project		-	-
344	Current portion of Long-Term debt - operating borrowing			-
345	Other current liabilities	-		-
346	Accrued liabilities - other	13		13
347	Inter-program - due to	-	-	-
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>40,745</b>	<b>-</b>	<b>40,745</b>
	<b>NONCURRENT LIABILITIES:</b>			
351	Long-term debt, net of current- capital project			-
352	Long-term debt, net of current- operating borrowing			-
353	Noncurrent liabilities- other	-		-
354	Accrued Compensated Absences- Non Current	853		853
350	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>853</b>	<b>-</b>	<b>853</b>
300	<b>TOTAL LIABILITIES</b>	<b>41,598</b>	<b>-</b>	<b>41,598</b>
	<b>EQUITY:</b>			
501	Investment in general fixed asset			-
	<b>Contributed Capital:</b>			
502	Project notes (HUD)			-
503	Long-term debt - HUD guarantees	-	-	-
504	Net HUD PHA contributions	-		-
505	Other HUD contributions			-
507	Other contributions	-		-
508	Total contributed capital	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	1,018,947	-	1,018,947
	<b>Reserved fund balance</b>			
509	Reserved for operating activities			-
510	Reserved for capital activities	-		-
511	Total reserved fund balance	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-
512.1	Unrestricted Net Asset	57,399		57,399
513	<b>TOTAL EQUITY</b>	<b>1,076,346</b>	<b>-</b>	<b>1,076,346</b>
600	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,117,944</b>	<b>-</b>	<b>1,117,944</b>

- - -

## Hillsdale Housing Commission

30-Jun-07

MI-103

Combining Income Statement		Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #				
	<b>REVENUE:</b>			
703	Net tenant rental revenue	152,931		152,931
704	Tenant revenue - other	1,771	-	1,771
705	Total tenant revenue	154,702	-	154,702
706	HUD PHA grants	88,840	62,305	151,145
708	Other government grants			-
711	Investment income - unrestricted	4,231	-	4,231
712	Mortgage interest income	-		-
714	Fraud recovery			-
715	Other revenue	7,126		7,126
716	Gain or loss on the sale of fixed asset	(421)		(421)
720	Investment income - restricted			-
700	<b>TOTAL REVENUE</b>	254,478	62,305	316,783
	<b>EXPENSES:</b>			
	Administrative			
911	Administrative Salaries	46,940	-	46,940
912	Auditing Fees	3,250		3,250
913	Outside management fee:			-
914	Compensated absence:	30		30
915	Employee benefit contributions-administrativ	11,751	-	11,751
916	Other operating administrative	29,376	-	29,376
	Tenant services			
921	Tenant services - salaries	-	-	-
922	Relocation costs		-	-
923	Employee benefit contributions- tenant service	-	-	-
924	Tenant services - other	625	-	625
	Utilities			
931	Water	23,077	-	23,077
932	Electricity	44,682	-	44,682
933	Gas	19,837	-	19,837
934	Fuel			-
935	Labor			-
937	Employee benefit contributions- utilities			-
938	Other utilities expense	-		-
	Ordinary maintenance & operation			
941	Ordinary maintenance and operations - labor	31,936	-	31,936
942	Ordinary maintenance and operations - materials & other	10,117	-	10,117
943	Ordinary maintenance and operations - contract cost	16,884	-	16,884
945	Employee benefit contributions- ordinary maintenance	14,914	-	14,914
	Protective services:			
951	Protective services - labor			-

952	Protective services- other contract cost	330		330
953	Protective services - othe	-		-
955	Employee benefit contributions- protective service	-		-
	General expenses			
961	Insurance premiums	14,448	-	14,448
962	Other General Expense		-	-
963	Payments in lieu of taxes	6,062		6,062
964	Bad debt - tenant rent	-	-	-
965	Bad debt- mortgages			-
966	Bad debt - other			-
967	Interest expense		-	-
968	Severance expense	-		-
969	<b>TOTAL OPERATING EXPENSES</b>	<b>274,259</b>	<b>-</b>	<b>274,259</b>
970	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	<b>(19,781)</b>	<b>62,305</b>	<b>42,524</b>
971	Extraordinary maintenance	14,935		14,935
972	Casualty losses - non-capitalize	-		-
973	Housing assistance payment			-
974	Depreciation expense	109,681	-	109,681
975	Fraud losses			-
976	Capital outlays- governmental fund	-		-
977	Debt principal payment- governmental fund			-
978	Dwelling units rent expense			-
900	<b>TOTAL EXPENSES</b>	<b>398,875</b>	<b>-</b>	<b>398,875</b>
	<b>OTHER FINANCING SOURCES (USES)</b>			
1001	Operating transfers in (out)	62,305	(62,305)	-
1002	Operating transfers out			
1003	Operating transfers from/to primary government			
1004	Operating transfers from/to component unit			
1005	Proceeds from notes, loans and bonds			
1006	Proceeds from property sales			
1010	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>62,305</b>	<b>(62,305)</b>	<b>-</b>
1000	<b>EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES</b>	<b>(82,092)</b>	<b>-</b>	<b>(82,092)</b>
		-	-	-
		-	-	-
		-	-	-
				-
				-
				-
				-
		-	-	-
			-	
			-	
			-	
		-	-	-
		-	-	-

-

HILLSDALE HOUSING COMMISSION  
Status of Prior Audit Findings  
June 30, 2007

The prior audit of the Hillsdale Housing Commission for the period ended June 30, 2006, did not contain any audit findings.

HILLSDALE HOUSING COMMISSION  
Report on Compliance and on Internal Control over  
Financial Reporting Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards*  
June 30, 2007

I have audited the financial statements of the Hillsdale Housing Commission of Hillsdale, Michigan, as of and for the year ended June 30, 2007, and have issued my report thereon dated February 29, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the Commission's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency*, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management, Board of Commissioners, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Certified Public Accountant  
Hemlock, Michigan  
February 29, 2008

HILLSDALE HOUSING COMMISSION  
Report on Compliance Applicable to  
Non Major HUD Program  
June 30, 2007

I have audited the financial statements of St. Clair Housing Commission, St. Clair Michigan, as of and for the year ended June 30, 2007, and have issued my report dated February 29, 2008.

In connection with my audit and with my consideration of the Commission's internal control used to administer HUD grants, I selected certain transactions applicable to the non-major HUD programs for the year ended June 30, 2007; I performed auditing procedures to test compliance with the requirements governing the Commission's grants. My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Commission's compliance with those requirements. Accordingly, I do not express such an opinion.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency*, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

This report is intended solely for the information of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant  
Hemlock, Michigan  
February 29, 2008

